Executive Registry
82-1162/1

THE WHITE HOUSE
WASHINGTON

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 4/23/82 NUMBER: 068911CA DUE BY: -----

SUBJECT: CABINET COUNCIL ON FOOD & AGRICULTURE -- April 26 Meeting ADDENDUM

	ACTION	FYI
ALL CABINET MEMBERS	☐	☐
Vice President	☑	☐
State	☑	☐
Treasury	☐	☑
Defense	☐	☑
Attorney General	☐	☑
Interior	☑	☐
Agriculture	☑	☐
Commerce	☑	☐
Labor	☐	☑
HHS	☐	☑
HUD	☐	☑
Transportation	☑	☐
Energy	☐	☑
Education	☐	☑
Counsellor	☑	☐
OMB	☐	☑
CIA	☐	☑
UN	☐	☑
USTR	☑	☐
CEA	☐	☑
CEQ	☐	☐
OSTP	☐	☐
______	☐	☐
______	☐	☐

	ACTION	FYI
Baker	☑	☐
Deaver	☐	☐
Clark	☑	☐
Darman *(For WH Staffing)*	☑	☐
Harper	☑	☐
Jenkins	☐	☑
Gray	☐	☑
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
______	☐	☐
CCCT/Kass	☐	☐
CCEA/Porter	☐	☐
CCFA/Boggs	☑	☐
CCHR/Carleson	☐	☐
CCLP/Uhlmann	☐	☐
CCNRE/Boggs	☐	☐

REMARKS:

Attached is a revised agenda and decision memorandum for the President on sugar import quotas for the Monday, April 26, meeting of the CCFA. This material should be included with that circulated to you earlier today.

NSC review completed.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☐ Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

THE WHITE HOUSE

WASHINGTON

CABINET COUNCIL ON FOOD AND AGRICULTURE

April 26, 1982

2:00 PM

The Cabinet Room

AGENDA

1. Agricultural Commodity Options: Dairy Surplus Situation/CM213

2. Sugar Import Quotas/CM177

THE WHITE HOUSE

WASHINGTON

April 22, 1982

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN R. BLOCK, CHAIRMAN PRO TEMPORE CABINET COUNCIL ON FOOD AND AGRICULTURE

John R. Block

SUBJECT: Sugar Import Quota

ISSUE: Should the President establish an import quota for sugar to protect the domestic price support program for sugar beets and sugar cane?

If so, in allocating shares of the quota, should the President modify an explicit preference given to Caribbean countries in the Caribbean Basin proposal submitted to Congress?

BACKGROUND:

The 1981 Farm Bill requires the Secretary to support the price of domestic sugar at specified levels, rising from 16.75 cents per pound up to 18 cents for the 1985 crop.

Because the United States must import very large amounts of sugar to meet domestic demand and because the price of imported sugar (9-10 cents per pound) is substantially below the price support level for domestic sugar, a system of border protection is needed to maintain domestic sugar prices at the levels specified in the Farm Bill. The system of border protection currently in place consists of import duties and fees. Due to falling world prices and the legal limitations on the amount of duties and fees, this system of border protection has not been able to protect the domestic sugar prices at the required levels. If the domestic sugar price is not supported adequately, sugar supplies will be sold to or left with the government, leading to additional budget outlays of up to $1.5 billion in FY 1983.

Given current conditions in the world sugar market, the only effective means of supporting domestic sugar prices is a quota on sugar imports. Imposition of a quota designed to achieve the specified price support level is inconsistent with this Administration's free trade policy and will complicate U.S. efforts to challenge restrictive trade practices of Japan and the European Community. While acknowledging these trade policy problems, the Cabinet Council nevertheless unanimously recommends imposing a restrictive quota on sugar imports through the end of the current fiscal year.

Although legislative action to resolve the underlying sugar problem appears impossible at the present, the Council recommends that USDA continue to study changes to the sugar program that will eliminate the need for either import quotas, import fees, or government outlays. The Council also recommends that the Secretary set the quota level so as to maintain as much as possible the level of government revenues from import fees.

The Cabinet Council, however, is divided on the issue of how to allocate shares of the quota among the exporting countries. USDA, supported by OMB, Treasury, Commerce, USTR, and CEA, proposes distributing quota shares to exporting countries according to the country's average percentage share of the U.S. market during the period 1975-1981. This would mean that Caribbean Basin countries together would receive a 37.8 percent share of the U.S. market, which would be the most favorable nonpreferential formula for allocating quota shares to Caribbean countries. The State Department and NSC, on the other hand, favor a preferential allocation scheme that would give the Caribbean countries a quota equal to their actual average import level for the past three years. This would give them a 51.6 percent share of the U.S. market and correspondingly reduce the shares of the other countries (see attachment).

The Caribbean Basin legislation which was submitted to Congress in March would allow all Caribbean suppliers, except the Dominican Republic, Panama, and Guatemala, to export sugar on a duty-free basis up to the Generalized System of Preference competitive need limit (approximately 180,000 tons). The legislation would impose upon sugar exports from the Dominican Republic, Panama, and Guatemala an absolute annual quota equivalent to approximately 110 percent of the average annual shipments from these countries over the last three years. The legislation also permits the President to reduce the amount of duty-free sugar imports from Caribbean countries if necessary to protect the domestic sugar price support program.

OPTION:

Provide an explicit preference to Caribbean countries in the allocation of quota shares.

Advantages:

- Would cushion the decline of sugar export earnings of Caribbean countries at a time when these countries are experiencing a negative balance of payments.
- Would emphasize the Administration's commitment to its Caribbean Basin Initiative and would be consistent with the preference for Caribbean countries provided by the free-trade provisions of the Caribbean Basin legislation.

Disadvantages:

- Would generate serious bilateral trade problems with other exporting countries such as Australia and the Philippines; would violate our international obligation not to impose quotas in a discriminatory manner under the General Agreement on Tariffs and Trade (GATT) and the International Sugar Agreement; and would complicate our ability to secure a GATT waiver for the one-way free trade zone proposed in the Caribbean Basin Initiative.
- Could induce further investment in sugar production in the Caribbean Basin at a time when the region should be diversifying its economy.
- Could jeopardize passage and implementation of the Caribbean Basin package, by creating the impression on Capitol Hill that the Administration is administratively establishing a discriminatory system of trade concessions before the legislation is considered.

DECISION:

1. Establish a sugar import quota to protect domestic sugar prices.

    _____ APPROVE _____ DISAPPROVE

2. Provide an explicit preference to Caribbean countries in the allocation of quota shares (as proposed by State and NSC).

    _____ APPROVE _____ DISAPPROVE

 TTACHMENT

SUGAR QUOTAS

Country	(Pro-Rata Share)*	State Proposal 1/ Percentage	State Proposal 1/ Tonnage ('000 tons)	USDA Proposal 2/ Percentage	USDA Proposal 2/ Tonnage* ('000 tons)
1. Guatemala		6.2	174.8	4.8	134.4
2. Belize		1.9	52.0	1.1	30.8
3. El Salvador		2.6	71.7	2.6	72.8
4. Honduras		2.8	77.7	1.0	28.0
5. Nicaragua		2.7	76.6	2.1	58.8
6. Costa Rica		2.4	66.3	1.5	42.0
7. Panama		4.6	129.7	2.9	81.2
8. Jamaica		1.3	36.2	1.1	30.8
9. Haiti		0.2	6.4	0.1	2.8
10. Dominican Rep.		22.9	640.7	17.6	492.8
11. Leeward-Windward Is.		.5	15.4	0.4	11.2
12. Barbados		1.3	36.1	0.7	19.6
13. Trinidad-Tobago		.2	7.2	0.7	19.6
14. Guyana		2.0	55.3	1.2	33.6
SUBTOTAL Caribbean Basin		51.6	1446.1	37.8	1058.4
. Canada	(.9)	0.4	12.2	1.1	30.8
.. Mexico	(.75)	0.4	10.1	0.3	8.4
17. Colombia	(4.5)	2.1	60.9	2.4	67.2
18. Ecuador	(2.1)	1.0	28.4	1.1	30.8
19. Peru	(2.6)	1.2	35.2	4.1	114.8
20. Bolivia	(1.3)	0.6	17.6	0.8	22.4
21. Brazil	(33.9)	16.4	459.0	14.5	406.0
22. Paraguay	(.3)	0.1	4.1	0.1	2.8
23. Argentina	(8.6)	4.1	116.4	4.3	120.4
24. France	--	--	--	0.2	5.6
25. India	--	--	--	0.8	22.4
26. Thailand	(3.3)	1.6	44.7	1.4	39.2
27. Philippines	(10.7)	5.2	144.9	13.5	378.0
28. Taiwan	(.3)	0.1	4.1	1.2	33.6
29. Australia	(12.9)	6.2	175.0	8.3	232.4
30. Other Pacific NEC	(2.6)	1.3	35.2	0.7	19.6
31. Ivory Coast	(.3)	0.1	4.1	--	--
32. Mauritius	(1.8)	0.9	24.4	1.1	30.8
33. Mozambique	(2.7)	1.3	36.6	1.3	36.4
34. Malagasy Rep.	(.45)	0.2	6.2	0.3	8.4
35. Rep. S.Africa	(2.9)	1.4	39.3	2.3	64.4
36. Swaziland	(3.8)	1.8	51.4	1.6	44.8
Zimbabwe	(1.2)	0.6	16.2	0.1	2.8
Malawi	(1.6)	0.8	21.7	0.7	19.6
SUBTOTAL	(100)**	48.4**	1353.9**	62.2	1741.6
TOTAL		100.0	2800.0	100.0	2800.0

1/ Based on providing the Caribbean Basin countries a quota equivalent to their average performance 1979-81. Other countries divide the residual with quota shares based on their relative performance 1979-81.

2/ Based on relative performance of countries 1975-81 excluding the high and low year for each country.

* Relative performance share for the years 1979-81, eliminating the Caribbean Basin countries.

** May not add exactly due to rounding.

4/20/82